

## Message Text

UNCLASSIFIED

PAGE 01 MONTEV 01141 132053 Z

72

ACTION ARA-17

INFO OCT-01 ADP-00 COME-00 EB-11 OPIC-12 IO-09 AID-20

OMB-01 FRB-02 TRSE-00 SS-15 STR-08 CIAE-00 INR-10

NSAE-00 RSC-01 PA-03 PRS-01 USIA-12 RSR-01 /124 W  
----- 065894

R 132037 Z APR 73

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 4229

INFO AMEMBASSY BUENOS AIRES

UNCLAS MONTEVIDEO 1141

E. O. 11652: N/ A

TAGS: ENGR, UY, AR

SUBJ: SALTO GRANDE- CONSULTING ENGINEERING CONTRACT

REF: BUENOS AIRES 2270

1. ON APRIL 12, PRESIDENT BORDABERRY ISSUED A DECREE CHANGING THREE OF FOUR MEMBERS OF URUGUAYAN DELEGATION TO MIXED TECHNICAL COMMISSION ( CTM) ON SALTO GRANDE. ARCHITECT WALTER PINTOS RISSO REMAINS CHAIRMAN OF DELEGATION. PRESIDENT ACCEPTED RESIGNATION OF DR. LUIS DE POSADAS BELGRANO, ING. MANUEL MENDIOLA SARASOLA, AND DR. ENRIQUE DE. LORENZO.

2. NEW MEMBERS ARE DR. RUTILIO DE. PAULA ( ATTORNEY, FORMER LEGISLATOR FROM DEPT OF SALSO, AND FORMER UNDERSECRETARY OF EDUCATION) AIRFORCE COLONEL JOSE D. CARDOZA ( RECENTLY MEMBER OF FACULTY OF INTER- AMERICAN DEFENSE COLLEGE IN WASHINGTON), AND ENGINEER VINCENTE ELBIO SACIO ( MEMBER OF DIRECTORATE OF STATE TELEPHONE AND ELECTRIC POWER ENTITY, UTE).

3. DECREE ALSO CREATED AN INTERMINISTERIAL COMMISSION WHOSE OBJECTIVE IS TO COORDINATE, ASSIST AND SUPPORT THE WORK OF URUGUAYAN DELEGATION TO CTM. COMMISSION COMPOSED OF MINISTERS OF FOREIGN RELATIONS, DEFENSE, PUBLIC WORKS, AND TRANSPORTATION, AND DIRECTOR OF OFFICE OF PLANNING AND BUDGET.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MONTEV 01141 132053 Z

4. MONTEVIDEO PRESS REPORTS THAT NEW DELEGATION MET WITH PRESIDENT BORDABERRY THEN FLEW TO BUENOS AIRES WITH INSTRUCTIONS TO RATIFY VOTE FOR CONSORTIUM OF MAIN AND ASSOCIATES FOR HAS REQUESTED ARMY INTERVENE TO PREVENT SPECULATION, ETC. THIS REQUEST SEEMINGLY BASED ON ASSERTION THAT MINISTRY IN CHARGE OF CARRYING OUT STABILIZATION PROGRAM PRICE DECISIONS HAS NOT PERFORMED THIS FUNCTION ADEQUATELY. MINISTRY OF INDUSTRY AND COMMERCE PLANS CALL PRESS CONFERENCE TO ANSWER CHARGES.

4. COMMENT: EMBASSY BELIEVES, ON BASIS PRICE INFORMATION GATHERED BY EMBOFFS, THAT PRICES HAVE RISEN SINCE DEVALUATION AT SOMEWHAT HIGHER RATE THAN OFFICIAL STATISTICS INDICATE. ALTHOUGH EMBASSY INDEX BASED ONLY ON FOOD ITEMS, IT IS GENERALLY REFLECTIVE OF THE PRESSURE BEING FELT BY MIDDLE INCOME GROUPS IN LA PAZ AND SHOWS INCREASE OF ABOUT 13 PERCENT DURING FIRST QUARTER OF 1973, WHILE OFFICIAL INDEX THROUGH FEBRUARY SHOWS NO INCREASE. IN LIGHT OF PRESENT PRESSURES WHICH HAVE BEEN BUILDING UP SINCE FIRST OF YEAR AND REFLECTED IN UNION SALARY DEMANDS WE BELIEVE PRICE SITUATION TO BE SOMEWHAT WORSE THAN PREVIOUSLY INDICATED. IN PART THE PRESSURE EMANATES FROM PRICE DIFFERENTIALS ON INTERNATIONALLY TRADED COMMODITIES WHICH ENJOYING STRONG EXTERNAL DEMAND. THUS, EXPORTER PREFERENCES SELL INTERNATIONALLY BECAUSE PRICES HIGHER THAN INTERNAL PRICES. IT ALSO POSSIBLE THAT COMMERCIAL CONCERN WISH TO INCREASE PROFIT MARGINS PARTLY COVER SOME REDUCTION LOCAL DEMAND AND ADDITIONAL WAGE AND OTHER COST INCREASES. THIS PERVERSE BUSINESS REACTION COULD BE EXPECTED IN BOLIVIAN CONTEXT ON BASIS ASSUMED INELASTIC DEMAND FOR PRIMARY COMMODITIES. DANGER FOR STABILIZATION PROGRAM RESIDES IN FACT THAT LABOR UNIONS WILL INCREASE PRESSURE FOR LARGER SALARY ADJUSTMENTS WHICH COULD EVENTUALLY SPILLOVER IN BALANCE OF PAYMENTS PRESSURE. THUS, GOB'S SITUATION WORSE. PRESIDENT'S ACTION MAY BE SUFFICIENT RESTRAIN FURTHER INCREASES SOME PRICES. FORTHCOMING FLOUR SHORTAGE, HOWEVER, LIKELY INCREASE GOB'S WOES BY VERY LARGE FACTOR. WE UNDERSTAND MININD/ COM'S HAS QUIETLY INCREASED OFFICIALLY SOME PRICES, SUCH AS RICE, WHICH MAY BE ECONOMICALLY JUSTIFIABLE BUT APPEAR UNPOLITIC AND PERHAPS UNNECESSARY AT PRESENT TIME.

BREWIN

LIMITED OFFICIAL USE

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* UNCLASSIFIED

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:**  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 APR 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973MONTEV01141  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** n/a  
**Errors:** n/a  
**Film Number:** n/a  
**From:** MONTEVIDEO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730442/aaaainlq.tel  
**Line Count:** 110  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 73 BUENOS AIRES 2270  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kelleyw0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 NOV 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02-Nov-2001 by averetam>; APPROVED <19 FEB 2002 by kelleyw0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 980114  
**Subject:** SALTO GRANDE- CONSULTING ENGINEERING CONTRACT  
**TAGS:** ENRG, AR, UY  
**To:** ARA  
BUENOS AIRES  
SECSTATE WASHDC  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005